

CITY OF OKOBOJI

**INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2012

CITY OF OKOBOJI
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CITY OF OKOBOJI

CITY OFFICIALS

(Before January 2012)

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Mary Vander Woude	Mayor	December 31, 2011
Neal Christensen	Council Member	December 31, 2013
Jim Delperdang	Council Member	December 31, 2011
Sue Larsen	Council Member	December 31, 2013
Jim Hentges	Council Member	December 31, 2011
Jerry Robinson	Council Member	December 31, 2013
Dennis Daly	City Administrator / Clerk	December 31, 2011
Michael Chozen	City Attorney	December 31, 2011

(After January 1, 2012)

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Mary Vander Woude	Mayor	December 31, 2013
Neal Christensen	Council Member	December 31, 2013
Jim Delperdang	Council Member	December 31, 2015
Sue Larsen	Council Member	December 31, 2013
Jim Hentges	Council Member	December 31, 2015
Jerry Robinson	Council Member	December 31, 2013
Dennis Daly	City Administrator / Clerk	December 31, 2013
Michael Chozen	City Attorney	December 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Okoboji
Okoboji, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the primary government of the City of Okoboji, Iowa (City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, and each major fund for the primary government of the City of Okoboji as of June 30, 2012 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2012 on our consideration of the City of Okoboji's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City's primary government. The financial statements for the four years ended June 30, 2005 (not presented herein) were previously audited, in accordance with the standards referred to in the second paragraph of this report, by other auditors who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 3 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The budgetary comparison information on pages 17 through 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Wintner, Stave & Co., LLP

October 29, 2012

BASIC FINANCIAL STATEMENTS

CITY OF OKOBOJI
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

		Program Receipts		
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 313,783	\$ -	\$ -	\$ -
Public works	335,113	12,425	76,545	-
Culture and recreation	28,724	-	-	-
Community and economic development.	171,698	-	-	-
General government	392,922	-	-	-
Debt service	621,577	-	-	-
Total governmental activities	<u>1,863,817</u>	<u>12,425</u>	<u>76,545</u>	<u>-</u>
Business type activities:				
Water	<u>3,358,511</u>	<u>742,000</u>	<u>-</u>	<u>863,300</u>
Total business type activities	<u>3,358,511</u>	<u>742,000</u>	<u>-</u>	<u>863,300</u>
TOTAL	<u>\$ 5,222,328</u>	<u>\$ 754,425</u>	<u>\$ 76,545</u>	<u>\$ 863,300</u>

General Receipts:

Property and other City tax levied for:

General purposes

Tax increment financing collections

Debt service

Local option sales tax

Hotel/motel tax

Unrestricted interest on investments

Capital loan note proceeds

Miscellaneous

Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets - beginning of year

Cash basis net assets - end of year

Cash basis net assets

Restricted, expendable:

Streets

Urban renewal purposes

Debt service

Unrestricted

Total cash basis net assets

See Notes to Financial Statements

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business type Activities	Total
\$ (313,783)	\$ -	\$ (313,783)
(246,143)	-	(246,143)
(28,724)	-	(28,724)
(171,698)	-	(171,698)
(392,922)	-	(392,922)
(621,577)	-	(621,577)
<u>(1,774,847)</u>	<u>-</u>	<u>(1,774,847)</u>
-	(1,753,211)	(1,753,211)
<u>-</u>	<u>(1,753,211)</u>	<u>(1,753,211)</u>
<u>(1,774,847)</u>	<u>(1,753,211)</u>	<u>(3,528,058)</u>
866,821	-	866,821
113,194	-	113,194
524,763	-	524,763
172,728	-	172,728
209,002	-	209,002
3,822	-	3,822
-	1,845,660	1,845,660
72,718	4,574	77,292
3,000	(3,000)	-
<u>1,966,048</u>	<u>1,847,234</u>	<u>3,813,282</u>
191,201	94,023	285,224
<u>198,598</u>	<u>199,888</u>	<u>398,486</u>
<u>\$ 389,799</u>	<u>\$ 293,911</u>	<u>\$ 683,710</u>
\$ 32,836	\$ -	\$ 32,836
16,838	-	16,838
8,677	6,019	14,696
<u>331,448</u>	<u>287,892</u>	<u>619,340</u>
<u>\$ 389,799</u>	<u>\$ 293,911</u>	<u>\$ 683,710</u>

See Notes to Financial Statements

CITY OF OKOBOJI
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
RECEIPTS:			
Property tax	\$ 838,932	\$ -	\$ -
Tax increment financing	-	-	113,194
Other city tax	409,619	-	-
Licenses and permits	21,701	-	-
Use of money and property	3,822	-	-
Intergovernmental	-	76,545	-
Charges for service	12,425	-	-
Miscellaneous	51,017	-	-
TOTAL RECEIPTS	<u>1,337,516</u>	<u>76,545</u>	<u>113,194</u>
DISBURSEMENTS:			
Operating:			
Public safety	313,783	-	-
Public works	230,229	104,884	-
Culture and recreation	28,724	-	-
Community and economic development	171,698	-	-
General government	392,922	-	-
Debt service	-	-	105,717
TOTAL DISBURSEMENTS	<u>1,137,356</u>	<u>104,884</u>	<u>105,717</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>200,160</u>	<u>(28,339)</u>	<u>7,477</u>
OTHER FINANCING SOURCES:			
Operating transfers in	<u>3,000</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>3,000</u>	<u>-</u>	<u>-</u>
NET CHANGES IN CASH BALANCES	203,160	(28,339)	7,477
CASH BALANCES - BEGINNING OF YEAR	<u>128,288</u>	<u>61,175</u>	<u>9,361</u>
CASH BALANCES - END OF YEAR	<u>\$ 331,448</u>	<u>\$ 32,836</u>	<u>\$ 16,838</u>
CASH BASIS FUND BALANCES:			
Restricted for:			
Urban renewal purposes.....	\$ -	\$ -	\$ 16,838
Streets.....	-	32,836	-
Debt Service.....	-	-	-
Unassigned.....	<u>331,448</u>	<u>-</u>	<u>-</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 331,448</u>	<u>\$ 32,836</u>	<u>\$ 16,838</u>

See Notes to Financial Statements

Exhibit B

<u>Debt Service</u>	<u>Total</u>
\$ 521,781	\$ 1,360,713
-	113,194
2,982	412,601
-	21,701
-	3,822
-	76,545
-	12,425
-	51,017
<u>524,763</u>	<u>2,052,018</u>
-	313,783
-	335,113
-	28,724
-	171,698
-	392,922
<u>515,860</u>	<u>621,577</u>
<u>515,860</u>	<u>1,863,817</u>
<u>8,903</u>	<u>188,201</u>
-	<u>3,000</u>
-	<u>3,000</u>
8,903	191,201
<u>(226)</u>	<u>198,598</u>
<u>\$ 8,677</u>	<u>\$ 389,799</u>
\$ -	\$ 16,838
-	32,836
8,677	8,677
-	<u>331,448</u>
<u>\$ 8,677</u>	<u>\$ 389,799</u>

See Notes to Financial Statements

CITY OF OKOBOJI
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGE IN CASH BALANCES
PROPRIETARY FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Water</u>
OPERATING RECEIPTS:	
Charges for service	\$ 742,000
Miscellaneous	4,574
TOTAL OPERATING RECEIPTS	<u>746,574</u>
DISBURSEMENTS:	
Business type activities	317,358
TOTAL OPERATING DISBURSEMENTS	<u>317,358</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	<u>429,216</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):	
Intergovernmental	863,300
Capital loan note proceeds	1,845,660
Debt service	(332,193)
Capital projects	<u>(2,708,960)</u>
NET NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>(332,193)</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	97,023
OTHER FINANCING USES:	
Operating transfers out	<u>(3,000)</u>
NET CHANGE IN CASH BALANCE	94,023
CASH BALANCE - BEGINNING OF YEAR	<u>199,888</u>
CASH BALANCE - END OF YEAR	<u><u>\$ 293,911</u></u>
CASH BASIS FUND BALANCE:	
Restricted for debt service	\$ 6,019
Unrestricted	<u>287,892</u>
TOTAL CASH BASIS FUND BALANCE	<u><u>\$ 293,911</u></u>

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Okoboji is a political subdivision of the State of Iowa located in Dickinson County. It was first incorporated in 1922 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water utility services for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Okoboji has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Government Accounting Standards Board criteria.

Related Organization - The City participates with the City of Arnolds Park in the operation of Central Water System (System), which is organized under the Code of Iowa, Chapter 28E, and provides water system services to the two municipalities and an unrelated regional water system. The System is a component unit of the City of Arnolds Park, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The System is operated by the parties through a joint Board of Directors consisting of one member from each city council, or such other individual as that council shall designate, and a third member appointed and approved by a majority vote of the city councils of the municipalities. Water services purchased by the City from the System during the year ended June 30, 2012 totaled \$152,626, approximately 46% of total System revenues.

Jointly Governed Organizations - The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dickinson County Emergency Management Commission, Dickinson County Sanitary Landfill Commission, Dickinson County Water Quality Committee, and Dickinson County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets - Cash Basis reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation - Continued

The Statement of Activities and Net Assets - Cash Basis presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets - Cash Basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements. There are no governmental funds reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary fund:

The Water Fund accounts for the operation and maintenance of the City's water system.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting

The City of Okoboji maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the restricted spendable classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the business type activities function.

F. Subsequent Events

Management has evaluated subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued.

2. CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

2. CASH AND POOLED INVESTMENTS - Continued

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation and revenue notes and bonds are as follows:

Year Ending June 30,	General Obligation Notes and Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 585,000	\$ 219,972	\$ 45,000	\$ 27,225	\$ 630,000	\$ 247,197
2014	551,000	199,884	47,000	25,845	598,000	225,729
2015	567,000	181,042	48,000	24,420	615,000	205,462
2016	584,000	160,933	50,000	22,950	634,000	183,883
2017	585,000	140,075	51,000	21,435	636,000	161,510
2018 - 2022	2,092,000	426,456	284,000	82,590	2,376,000	509,046
2023 - 2027	1,413,600	113,444	332,000	36,540	1,745,600	149,984
2028 - 2032			73,000	1,095	73,000	1,095
Total	<u>\$6,377,600</u>	<u>\$1,441,806</u>	<u>\$930,000</u>	<u>\$242,100</u>	<u>\$7,307,600</u>	<u>\$1,683,906</u>

The Code of Iowa requires principal and interest on general obligation bonds and notes be paid from the Debt Service Fund unless payable from a special revenue fund as noted below.

Certain general obligation bonds and notes were issued for the purpose of defraying a portion of the costs of carrying out projects within the urban renewal district of the City. The bonds and notes are payable solely from the tax increment financing (TIF) receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of bonds being repaid from TIF receipts shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. Total principal and interest remaining on the bonds expected to be paid from TIF receipts is \$430,000, payable through June 2020. For the current year, interest paid and total TIF receipts were \$20,718 and \$113,194, respectively.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

3. BONDS AND NOTES PAYABLE - Continued

Certain general obligation notes were issued for the purpose of defraying a portion of the costs related to the Center Water System plant expansion project. The notes are payable from water customer net receipts and are payable through 2029. The total principal and interest expected to be paid on the notes issued is \$4,221,720. Additional advances are expected as the project progresses. For the current year, principal and interest paid and total customer net receipts were \$245,543 and \$746,574, respectively.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,283,000 in water revenue notes issued in October 2008, with cumulative proceeds of \$1,103,000 received through June 30, 2012. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2028. Annual principal and interest payments on the notes are expected to require 100 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$1,172,100. For the current year, principal and interest paid and total customer net receipts were \$73,220 and \$746,574, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to a separate water revenue note sinking account within the Enterprise Fund for the purpose of making the note principal and interest payments when due.

4. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary, and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$35,466, \$30,559, and \$30,628, respectively, equal to the required contributions for each year.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

5. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees. There are nine active and no retired members in the plan. Eligible retirees receive health care coverage through the same plans that are available for active employees. Retired participants must be age 55 or older at retirement. Benefits terminate upon attaining Medicare eligibility.

Contributions are required for retiree coverage. The retiree contributions are based on and equal to the historical full cost of active members. Retiree expenses are then offset by retiree contributions.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$525 for single coverage and \$1,320 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City made no contributions to the retiree benefit plan.

6. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2012 is \$17,751, primarily relating to the General Fund. This liability has been computed based on rates of pay as of June 30, 2012.

7. RISK MANAGEMENT

The City of Okoboji is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

7. RISK MANAGEMENT - Continued

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2012 were \$32,252.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions; however, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

7. RISK MANAGEMENT - Continued

The City of Okoboji also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. LITIGATION

The City is party to routine legal proceedings and litigation arising in the normal course of governmental operations. These legal proceedings are not expected to have a material adverse impact on the City's financial condition.

9. COMMITMENTS AND CONTINGENCIES

The City has committed to provide funding along with the City of Arnolds Park to Central Water Systems for a plant expansion project. The commitment will be paid as the project progresses from the proceeds of an approximately \$4,400,000 general obligation capital loan note issued in June 2009 through the State Revolving Loan Fund and an \$875,000 grant. At June 30, 2012, \$4,274,172 has been paid to Central Water System, with advances of \$3,571,600 from the State Revolving Loan Fund and grant proceeds of \$875,000 received.

10. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General fund	Enterprise: Water	\$3,000

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

OTHER INFORMATION

CITY OF OKOBOJI
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
OTHER INFORMATION (UNAUDITED)
YEAR ENDED JUNE 30, 2012

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
RECEIPTS:		
Property tax	\$ 1,360,713	\$ -
Tax increment financing	113,194	-
Other city tax	412,601	-
Licenses and permits	21,701	-
Use of money and property	3,822	
Intergovernmental	76,545	863,300
Charges for service	12,425	742,000
Miscellaneous	51,017	4,574
TOTAL RECEIPTS	<u>2,052,018</u>	<u>1,609,874</u>
DISBURSEMENTS:		
Public safety	313,783	-
Public works	335,113	-
Culture and recreation	28,724	-
Community and economic development	171,698	-
General government	392,922	-
Debt service	621,577	-
Business type activities	-	3,358,511
TOTAL DISBURSEMENTS	<u>1,863,817</u>	<u>3,358,511</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS	188,201	(1,748,637)
OTHER FINANCING SOURCES	<u>3,000</u>	<u>1,842,660</u>
NET CHANGE IN CASH BALANCES	191,201	94,023
CASH BALANCES - BEGINNING OF YEAR	<u>198,598</u>	<u>199,888</u>
CASH BALANCES - END OF YEAR	<u>\$ 389,799</u>	<u>\$ 293,911</u>

See Accompanying Independent Auditors' Report

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 1,360,713	\$ 1,349,557	\$ 1,349,557	\$ 11,156
113,194	105,718	105,718	7,476
412,601	408,862	408,862	3,739
21,701	12,800	16,854	4,847
3,822	2,000	2,000	1,822
939,845	84,080	84,080	855,765
754,425	1,645,500	2,867,162	(2,112,737)
55,591	34,369	34,369	21,222
<u>3,661,892</u>	<u>3,642,886</u>	<u>4,868,602</u>	<u>(1,206,710)</u>
313,783	410,570	420,570	106,787
335,113	317,639	337,639	2,526
28,724	29,300	31,800	3,076
171,698	176,004	187,004	15,306
392,922	381,090	393,090	168
621,577	623,568	623,568	1,991
<u>3,358,511</u>	<u>1,691,800</u>	<u>2,913,462</u>	<u>(445,049)</u>
<u>5,222,328</u>	<u>3,629,971</u>	<u>4,907,133</u>	<u>(315,195)</u>
(1,560,436)	12,915	(38,531)	(1,521,905)
<u>1,845,660</u>	<u>-</u>	<u>-</u>	<u>1,845,660</u>
285,224	12,915	(38,531)	<u>\$ 323,755</u>
<u>398,486</u>	<u>426,982</u>	<u>323,662</u>	
<u>\$ 683,710</u>	<u>\$ 439,897</u>	<u>\$ 285,131</u>	

See Accompanying Independent Auditors' Report

CITY OF OKOBOJI
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING (UNAUDITED)
JUNE 30, 2012

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Proprietary Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,277,162. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the business activity function.

SUPPLEMENTARY INFORMATION

CITY OF OKOBOJI
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2012

<u>Obligation</u>	<u>Date of Issue</u>	<u>Amount Interest Rates</u>	<u>Originally Issued</u>
<u>General Obligation Bonds and Notes:</u>			
General Obligation Bonds Paid from Debt Service Paid from TIF Total	April 1, 2002	3.00 - 4.55%	<u>\$ 850,000</u>
General Obligation Bonds	October 1, 2002	3.00 - 3.20%	<u>\$ 705,000</u>
General Obligation Refunding Notes Paid from TIF	October 1, 2005	3.00 - 4.35%	<u>\$1,045,000</u>
General Obligation Bonds	May 1, 2007	3.65 - 4.00%	<u>\$1,100,000</u>
General Obligation Capital Loan Notes	April 1, 2008	3.75 - 4.10%	<u>\$ 550,000</u>
General Obligation Capital Loan Notes	June 1, 2009	3.25 - 4.625%	<u>\$1,500,000</u>
General Obligation Capital Loan Notes	August 30, 2010	3.25%	<u>\$ 125,000</u>
General Obligation Capital Loan Notes Paid from water	June 1, 2009	3.00%	<u>\$4,398,000</u>
<u>Revenue Notes:</u>			
Water Revenue Capital Loan Notes	October 1, 2008	3.00%	<u>\$1,283,000</u>
TOTAL			

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 65,000		\$ 65,000		\$ 2,959	
40,000		40,000		1,819	
<u>105,000</u>		<u>105,000</u>		<u>4,778</u>	
80,000		40,000	\$ 40,000	3,040	
<u>475,000</u>		<u>45,000</u>	<u>430,000</u>	<u>18,898</u>	
<u>895,000</u>		<u>115,000</u>	<u>780,000</u>	<u>36,410</u>	
<u>465,000</u>		<u>55,000</u>	<u>410,000</u>	<u>18,420</u>	
<u>1,325,000</u>		<u>100,000</u>	<u>1,225,000</u>	<u>52,606</u>	
<u>125,000</u>		<u>20,000</u>	<u>105,000</u>	<u>7,425</u>	
<u>1,725,940</u>	<u>\$1,845,660</u>	<u>184,000</u>	<u>3,387,600</u>	<u>61,543</u>	
<u>974,000</u>		<u>44,000</u>	<u>930,000</u>	<u>29,220</u>	
<u>\$6,169,940</u>	<u>\$1,845,660</u>	<u>\$708,000</u>	<u>\$7,307,600</u>	<u>\$232,340</u>	

CITY OF OKOBOJI
BOND AND NOTE MATURITIES
JUNE 30, 2012

General Obligation Bonds and Notes										
Year Ending June 30.	Capital Loan Notes Issued 10-1-2002		Refunding Notes Issued 10-1-2005		Capital Project Bonds Issued 5-1-2007		Capital Loan Notes Issued 4-1-2008		Capital Loan Notes Issued 6-1-2009	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2013	3.85%	\$ 40,000	3.65%	\$ 50,000	3.80%	\$120,000	4.00%	\$ 60,000	3.25%	\$ 100,000
2014			3.75	45,000	3.85	125,000	4.00	60,000	3.25	100,000
2015			3.85	50,000	3.90	125,000	3.75	65,000	4.00	100,000
2016			3.95	50,000	3.95	130,000	3.85	65,000	4.00	100,000
2017			4.05	55,000	3.95	135,000	4.00	80,000	4.00	100,000
2018			4.15	55,000	4.00	145,000	4.10	80,000	4.00	100,000
2019			4.25	60,000					4.00	100,000
2020			4.35	65,000					4.00	100,000
2021									4.20	100,000
2022									4.375	100,000
2023									4.50	100,000
2024									4.625	125,000
2025										
2026										
2027										
2028										
TOTALS		<u>\$ 40,000</u>		<u>\$430,000</u>		<u>\$780,000</u>		<u>\$410,000</u>		<u>\$1,225,000</u>

Schedule 2

Capital Loan Notes Issued 8-30-2010		Capital Loan Notes Issued 6-1-2009		Water Revenue Capital Loan Notes Issued 10-1-2008		
Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Total
3.25%	\$ 25,000	3.00%	\$ 190,000	3.00%	\$ 45,000	\$ 630,000
3.25	25,000	3.00	196,000	3.00	47,000	598,000
3.25	25,000	3.00	202,000	3.00	48,000	615,000
3.25	30,000	3.00	209,000	3.00	50,000	634,000
		3.00	215,000	3.00	51,000	636,000
		3.00	222,000	3.00	53,000	655,000
		3.00	230,000	3.00	55,000	445,000
		3.00	237,000	3.00	57,000	459,000
		3.00	245,000	3.00	59,000	404,000
		3.00	253,000	3.00	60,000	413,000
		3.00	261,000	3.00	62,000	423,000
		3.00	270,000	3.00	64,000	459,000
		3.00	278,000	3.00	66,000	344,000
		3.00	287,000	3.00	69,000	356,000
		3.00	92,600	3.00	71,000	163,600
		3.00		3.00	73,000	73,000
	<u>\$105,000</u>		<u>\$3,387,600</u>		<u>\$ 930,000</u>	<u>\$7,307,600</u>

CITY OF OKOBOJI
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
RECEIPTS:				
Property tax	\$ 1,360,713	\$ 1,065,298	\$ 1,000,356	\$ 908,324
Tax increment financing collections	113,194	42,929	75,310	546,769
Other city tax	412,601	417,031	364,536	409,698
Licenses and permits	21,701	15,489	10,956	15,705
Use of money and property	3,822	5,025	14,721	11,201
Intergovernmental	76,545	78,638	76,065	68,035
Charges for service	12,425	11,484	10,931	11,692
Special assessments	-	-	-	-
Miscellaneous	51,017	77,154	78,655	45,262
TOTAL	<u>\$ 2,052,018</u>	<u>\$ 1,713,048</u>	<u>\$ 1,631,530</u>	<u>\$ 2,016,686</u>
DISBURSEMENTS:				
Operating:				
Public safety	\$ 313,783	\$ 317,850	\$ 345,873	\$ 315,060
Public works	335,113	255,502	301,882	237,557
Culture and recreation	28,724	25,525	33,202	23,696
Community and economic development	171,698	153,896	171,530	192,160
General government	392,922	413,848	363,606	343,442
Debt service	621,577	667,829	722,655	672,055
Capital projects	-	181,604	1,759,499	653,629
TOTAL	<u>\$ 1,863,817</u>	<u>\$ 2,016,054</u>	<u>\$ 3,698,247</u>	<u>\$ 2,437,599</u>

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 875,381	\$ 807,564	\$ 778,482	\$ 741,016	\$ 670,899	\$ 636,218
471,519	433,158	340,613	324,043	260,566	224,741
407,692	421,773	373,107	363,002	358,850	366,651
17,581	36,315	7,298	9,928	16,183	5,454
11,372	46,095	33,710	6,661	5,552	27,907
70,252	68,342	73,261	76,800	76,078	95,643
13,040	13,868	11,954	16,886	-	-
-	-	-	1,856	22,266	45,629
49,285	77,087	53,910	51,941	60,004	94,044
<hr/>					
\$ 1,916,122	\$ 1,904,202	\$ 1,672,335	\$ 1,592,133	\$ 1,470,398	\$ 1,496,287

\$ 309,038	\$ 273,470	\$ 275,750	\$ 253,819	\$ 216,384	\$ 262,643
319,433	240,756	330,831	443,906	152,108	210,582
25,306	20,341	35,711	18,345	17,132	63,718
208,064	193,782	142,225	188,613	150,192	69,250
366,915	356,488	321,609	370,559	322,433	303,440
604,428	759,187	561,211	435,825	1,327,440	403,392
969,634	236,575	1,308,172	84,713	24,587	1,063,292
<hr/>					
\$ 2,802,818	\$ 2,080,599	\$ 2,975,509	\$ 1,795,780	\$ 2,210,276	\$ 2,376,317

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council
City of Okoboji, IA 51355

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the City of Okoboji, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents, and have issued our report thereon dated October 29, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Okoboji is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a

deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Okoboji's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Okoboji's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Okoboji and other parties to whom the City of Okoboji may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Okoboji during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Winter, Starn & Co., LLP

October 29, 2012

CITY OF OKOBOJI
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements

Internal Control Deficiency:

- I-A-12 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider a review of our control procedures.

Conclusion - Response accepted.

Instances of Noncompliance:

No matters were noted.

CITY OF OKOBOJI
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting

- II-A-12 Certified Budget - Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the business type activities function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- II-B-12 Questionable Disbursements - A disbursement was noted we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. The disbursement is detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Ferguson's Garden Center	Flower arrangement for funeral	\$44

According to the opinion, it is possible for such a disbursement to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation - The Council should determine and document the public purpose served by this disbursement before authorizing any further such payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response - We will comply with the recommendation.

Conclusion - Response accepted.

- II-C-12 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-12 Business Transactions - No business transactions between the City and City officials or employees were noted.

CITY OF OKOBOJI
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting - Continued

- II-E-12 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-12 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-12 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- II-H-12 Revenue Notes - No instances of non-compliance with the revenue bond and note resolutions were noted.